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# EXETER

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## Memorandum

To: Luly Massaro, Clerk  
Rhode Island Public Utilities Commission

From: Lafayette Morgan  
Exeter Associates, Inc.  
Consultant to the Division of Public Utilities and Carriers

Date: May 15, 2020

Subject: City of Woonsocket Water Division Multi-Year Rate Plan  
Notice of Multi-Year Rate Plan Step Increase Compliance Filing,  
Docket No. 4879

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### Introduction

On April 14, 2020, the City of Woonsocket Water Division (WWD), filed its Multi-Year Rate Plan Compliance Filing and Notice of Change in Rates pursuant to R.I.G.L. § 39-15.1-4 with the Rhode Island Public Utilities Commission (Commission). In the rate filing, WWD seeks to implement the second (2nd) step of five steps of rate increases approved by the Commission in Docket No. 4879. As filed by WWD, this second step would allow an increase of \$541,362 in rates. This increase would result in an approximate 6.53 percent increase to a typical residential customer. For a typical residential customer who uses 8,000 cubic feet of water per year (165 gallons per day), the impact of this request will result in an increase of \$32 per year. WWD proposes for the increase in rates to become effective June 15, 2020.

During April 2020, the Division and the Commission served data requests to which WWD responded in early May. I have reviewed WWD's Compliance Filing and responses to data requests to ensure WWD's proposed rate increase complies with the Settlement Agreement reached between the parties, and approved by the Commission, in Docket No. 4879.

Discussion

According to the Settlement Agreement, the second step of the increase was estimated to allow WWD to collect additional operating revenue of \$446,822. The \$446,822 is composed of the following:

<b>WWD Step Increase for 2020/2021 per Docket No. 4879 Joint Settlement Agreement</b>	
New Debt Reserve Funding	\$170,000
Treatment Plant Op Contract	52,407
Remove One-time Chemical Credit	145,717
Light & Power Increase	-
Property & Fire Taxes Increase	1,998
Inflation Labor @ 2%	22,049
Inflation Non-Labor @ 2.5%	34,797
Rate Case Expense to cover Step	16,000
Operating Reserve Increase 1.5%	3,854
<b>Total:</b>	<b>\$446,822</b>

As filed, WWD's \$541,362 requested increase is made up of the following:

<b>WWD Step Increase for 2020/2021 as Filed</b>	
New Debt Reserve Funding	\$170,000
Treatment Plant Op Contract	59,992
Remove One-time Chemical Credit	145,717
Light & Power Increase	(19,552)
Property & Fire Taxes Increase	1,998
Inflation Labor @ 2%	22,049
Inflation Non-Labor @ 2.5%	34,797
Rate Case Expense to cover Step	16,000
Adjustment for change in Water Sales	46,243
Plant Master Maint. Mechanic	50,283
Extra Pension and FICA Expense	9,981
Operating Reserve Increase 1.5%	3,854
<b>Total</b>	<b>\$541,362</b>

In my view, the components of the Step Increases established in the Settlement Agreement limits the cost and revenue elements that are subject to change during the Multi-year Rate Plan. Those

elements were determined and agreed upon in the Settlement Agreement to be the basis of future rate increases. The WWD's request has added costs and revenue elements that were not contemplated at the time the Settlement Agreement was reached. These elements are: 1) the Adjustment for change in Water Sales; 2) the Plant Master Maintenance Mechanic; and 3) the Extra Pension and FICA Expense. Therefore, I recommend that the Commission disallow the inclusion of these elements for the calculation of the Step Increase.

Regarding the Plant Master Maintenance Mechanic position, WWD argues that the position was retained by WWD, instead of being transferred to the new Treatment Plant operator, because most of the duties of this position involve the maintenance of the Transmission & Distribution system fleet of equipment, and that this position should not have been eliminated in year 1 of the plan. As a result, it made an adjustment to include the costs of that position. In my opinion, this is akin to any other estimate that is made during a rate case that ends up being different than expected. Given the time to adjudicate WWD's request, it is unfair and improper to allow WWD to pick and choose which cost or revenue to adjust in its favor. The same rationale is true for the decision to make an adjustment to reflect the sales estimate.

### Conclusion

I am recommending the Commission disallow the three adjustments proposed by WWD that were not contemplated by the Settlement Agreement, which I have identified above. Removal of these items would result in a rate change of \$434,916 or 5.25 percent instead of WWD's proposed increase of \$541,362. My recommended increase is \$106,446 less than that requested by WWD and is summarized below:

New Debt Reserve Funding	\$170,000
Treatment Plant Op Contract	59,992
Remove One-time Chemical Credit	145,717
Light & Power Increase	(19,552)
Property & Fire Taxes Increase	1,998
Inflation Labor @ 2%	22,049
Inflation Non-Labor @ 2.5%	34,797
Rate Case Expense to cover Step	16,000
Operating Reserve Increase 1.5%	3,915
<b>Total:</b>	<b>\$434,916</b>